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SUBJECT: SCENESETTER FOR VISIT OF CODEL LEE/KILPATRICK

REF: HAVANA 195

CORRECTED COPY - CHANGES MADE TO PARA 5 BELOW. THIS MESSAGE REPLACES REFTTEL, WHICH SHOULD BE DESTROYED.

1. (SBU) SUMMARY: Codel Lee/Kilpatrick will be arriving in Cuba at a time of slow motion and sometimes contradictory change. Raul Castro has now consolidated his power. The Cuban economy has many serious weaknesses that can only be addressed through bold, innovative, and immediate action. There is, however, no indication that the current government intends to take such action. End Summary

CHANGES IN CUBA

2. (SBU) Following cabinet and other leadership changes in early March of this year, the ruling inner circle is now made up entirely of individuals who are known for their loyalty to Raul Castro and/or their experience as military officers. The result is a much older governing group, but one which is likely to respond well to Raul Castro when he demands greater discipline and efficiency within the government and society alike. The reforms already announced by the Raul Castro government, and any more that are expected in the short term, will likely follow an already established pattern. They will tend to decentralize activities and devolve decision making tasks to the provincial and municipal levels. To the extent possible they will reduce the number of steps that need to be taken within the government to achieve a desired goal. They will not, however, seek to change the fundamental nature of the current Cuban system of state control over the means of production and distribution. As such, they are unlikely to be able to address the contradictions within the system which tended to make it inefficient in the first place. Execution of policy will be decentralized, but development of policy will remain the sole purview of the inner governing circle. Fidel Castro continues to wield significant moral authority through his occasional "Reflexiones" pieces in the official press. Many of these pieces appear to be more of a hindrance to action by the GOC under Raul than of any support. The true state of Fidel's health is unknown. The next possibility for change in Cuba may come with the Sixth Communist Party Congress which is supposed to take place later in 2009. If Raul has any real reforms up his sleeve, the PCC Congress may give him the political legitimacy to carry them through.

ECONOMIC AND POLITICAL SITUATION

3. (SBU) Economically, Cuba is not being affected directly by the world financial crisis since it does not participate in the world financial network in any significant way. However, the subsidiary effects of the financial crisis will probably begin to be felt later in 2009, as revenues from the sale of Cuba's principal export product--nickel--remain weak as world demand for stainless steel and other products requiring nickel declines. The world financial crisis will also probably hit Cuba's tourism sector hard as Europeans in particular have less to spend on foreign travel. Finally, the steep decline in the price of petroleum will make it more

difficult for Cuba's primary patron state, Venezuela, to continue to subsidize Cuban petroleum needs or provide other financial support. Each one of these problems alone would create a significant challenge for the GOC, but added to them the effects of the three major hurricanes that struck Cuba in late 2008 and caused damage estimated at almost 20 percent of GDP must be considered. The GOC has not been able to do anything significant to repair the damage done by the hurricanes. Cuba's already poor credit history keeps it from attracting the financing necessary to carry out hurricane repair work and advance the economy at the same time, especially in a world atmosphere of much tighter credit. The GOC under Raul has shown no inclination to open up the moribund political system in Cuba. Civil society groups continue to try to organize, but effective GOC repression of their activities keeps them on the margins.

FOREIGN POLICY

14. (SBU) GOC foreign policy has focused on a largely successful effort to build support for its position vis a vis the U.S. government among other countries in the world, especially among the Europeans and Latin Americans. Regarding the U.S. itself, at the moment the GOC appears to be taking a wait and see attitude about the Obama administration. The GOC may hope for some adjustments in U.S. policy toward Cuba that will make its life easier, but it should not be expected to initiate any positive steps in that direction.

15. (SBU) We have taken several steps to broaden contacts with the people of Cuba. In addition to the legislated changes on travel signed into law by the President, Cuba is being included for the first time in two scholarship programs for study in the United States. We also have offered to relax the travel restrictions on our respective interest sections, and await a GOC response.

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